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SDG&E Comments on Doubling Energy Efficiency Savings

Additional submitted attachment is included below.



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California Energy Commission
Docket Office
1516 Ninth Street
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Subject: 2017 Joint Agency Staff Workshop on Methodologies for 2030 Energy Efficiency Target Setting, Docket No.17-IEPR-06

Dear Commissioners:

San Diego Gas and Electric (SDG&E) appreciates the California Energy Commission (CEC) hosting the Staff Workshop on Methodologies for 2030 Energy Efficiency Target Setting, as part of the *2017 Integrated Energy Policy Report (IEPR)* proceeding, on June 19, 2017. SDG&E supports the state's efforts to reduce greenhouse gas (GHG) emissions and double energy efficiency (EE), and is actively participating in the numerous proceedings across the state agencies that are working on developing the policy direction and implementation of Executive Order B-30-15 and Senate Bill (SB) 350.

I. CEC Methodology

SDG&E does not offer specific comment herein on the methodology (2014 available achievable energy efficiency (AAEE) + 2013 publicly-owned utility (POU) goals x 2) that the CEC believes it is statutorily required to employ in arriving at the 2030 target. Rather, SDG&E requests that the CEC correct the errors uncovered in the 2014 AAEE prior to finalizing the target. CEC staff asserted at the workshop that it does not intend to make these corrections because "SB 350 did not direct us to correct 2014 AAEE based on better information." SDG&E does not find the CEC's justification persuasive, as SB 350 is silent on the issue of whether the CEC can adjust for errors, and therefore does not preclude the CEC from exercising responsible discretion in this regard. Further, these corrections would have a material impact on the results of the target, as they would reduce expected savings by 10%.¹ SDG&E believes that correcting known errors is sound public policy and will help ensure that the adopted approach is realistic and factually accurate.²

¹ *Framework for Establishing the Senate Bill 350 Energy Efficiency Savings Doubling Targets*, p.13.

² *Presentation of Martha Brook, Advisor to Commissioner McCallister*, CEC, p. 5, accessible at: http://docketpublic.energy.ca.gov/PublicDocuments/17-IEPR-06/TN218909_20170616T072512_Senate_Bill_350_Energy_Efficiency_Targets_Framework_Updates.pdf.

II. Cost-Effectiveness

SDG&E appreciates that the representatives of the CEC and California Public Utilities Commission (CPUC), in their respective presentations at the workshop, emphasized that the 2030 target, based solely on the statutorily required methodology described above and devoid of cost-effectiveness analysis, is “aspirational,” and that cost-effectiveness, feasibility and reliability act as constraints on the ability of individual responsible entities to collectively achieve that target. SDG&E asserts, however, that these are not mere “constraints” on achieving the target, but are rather essential elements of being a responsible steward of ratepayer dollars and ensuring a reliable grid.

For this reason, SDG&E is actively engaged in discussions pertaining to these issues across multiple proceedings, including the Integrated Distributed Energy Resource (IDER) proceeding, and the EE proceeding where the draft Potential and Goals Study was released on June 15, 2017. In the IDER proceeding, SDG&E argued, jointly with the other investor-owned utilities (IOUs), against the use of a societal cost test (SCT), instead urging the Commission “to work towards a unified cost-effectiveness framework that can be used consistently in evaluating all resources, not just DERs.”³ In that same proceeding SDG&E, jointly with the other IOUs, argued against the need for an “Interim GHG Adder,” particularly one based on the RESOLVE model still being developed in the IRP. Indeed, the recently issued Potential and Goals study reflects that such an interim adder is unnecessary at this time.

These comments on specific CPUC staff proposals reflect the broader comment, submitted by SDG&E previously in this IEPR proceeding, that externalities like those embedded in an SCT and interim GHG adder distort true cost-effectiveness and do not facilitate the prudent use of ratepayer funds to procure DERs, including EE. As SDG&E stated previously, utility ratepayers should only be asked to pay utility costs. Susan F. Tierney, Ph.D., with the Analysis Group, Inc., argued this point in her March 30, 2016 white paper entitled *The Value of ‘Der’ to ‘D’: The Role of Distributed Energy Resources in Supporting Local Electric Distribution System Reliability*. Dr. Tierney asserts:

“[i]n the day-to-day provision of electric service, these avoided societal costs are literally not part of the utility’s avoided cost. Were the utility to compensate a DER supplier at this type of estimated full avoided cost (rather than its own avoided cost), then “missing money” problems could arise, which should be addressed through a fair and transparent ratemaking technique.”

While SDG&E reaffirms its comments on the SCT and interim GHG adder in the IDER proceeding, and intends to comment on its preferred cost-effectiveness scenario for the Potential and Goals Study, SDG&E stresses that whatever method ultimately employed should only take into consideration those costs that factor into the “day-to-day provision of electric service.”

³ *Opening Comments on ALJ’s Ruling Taking Comment on Staff Proposal Recommending a Societal Cost Test of PG&E, SCE, SCG, SDG&E*, R.14-10-003 (March 23, 2017).

III. Reporting

SDG&E also appreciates that CEC staff acknowledged the discrepancy that presently exists between responsible entities with respect to reporting requirements, particularly that there is currently no statutory basis for non-utilities to report. SDG&E agrees with the CEC that reporting requirements need to be synchronized among all responsible entities required to comply with SB 350 and, notwithstanding the CEC staff's statement that corrective "[r]egulations may eventually be required, but are infeasible in this time frame," SDG&E emphasizes the importance of treating all responsible entities equitably.⁴

IV. Conclusion

SDG&E appreciates this opportunity to provide comments on the Staff Workshop on Methodologies for 2030 Energy Efficiency Target Setting.

Please do not hesitate to reach out for more information.

Sincerely,

/s/ Tim Carmichael

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⁴ Presentation of Michael Jaske, Energy Assessments Division, CEC, p. 17, accessible at: http://docketpublic.energy.ca.gov/PublicDocuments/17-IEPR-06/TN219131_20170616T104340_Additional_Topics_CVRVVO_Fuel_Substitution_and_Reporting_Requir.pdf.